



State of California

\$1.85 billion General Obligation Bonds



Investor Update

April 16, 2003



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Introduction

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Transaction Overview¹

Par Amount

\$1.85 billion

Purpose:

- Refund outstanding State G.O. commercial paper notes
- Repay interim loans from the State's PMI Account

Debt Service Amortization:

Interest only Period

April 2003 To January 2008

Level Debt Service Period

February 2008 to 2033

Ratings:

A (Fitch Ratings)

A2 (Moody's Investor Service)

A (Standard & Poor's)

Pricing Date

April 24, 2003

Closing Date

May 1, 2003

¹ Preliminary, subject to change



2003 G.O. Bond Issuance^{1,2}

Bond Sale (\$millions)	Amount	Status
February Fixed Rate	\$900	Closed
April Variable/Auction Rate	\$1,400	Closed
April Fixed Rate (Negotiated Sale)	\$1,850	April 24, 2003
June Fixed Rate (New Money)	\$850	June 2003
June Fixed Rate (Refunding)	\$900	June 2003
Total through June 30, 2003	\$5,900	
Fixed Rate/Variable Rate	\$3,000	Fall/Winter 2003
Total for Calendar Year 2003	\$8,900	

¹ Subject to change.

² Economic refundings may be added, subject to market conditions.

Source: State Treasurer's Office



Other State Bonds – Forward Calendar^{1,2}

Bond Sale	Amount	Sale Date
California Infrastructure and Economic Development Bank - State Revolving Fund	\$75 million	Summer 2003
California Infrastructure and Economic Development Bank - Bay Bridge Seismic	\$750 million	Summer/Fall 2003
Golden State Tobacco Securitization Corporation - (Second Sale)	\$2.0 billion	To Be Determined

¹ Subject to change.

² Economic refundings may be added, subject to market conditions.

Source: State Treasurer's Office



Governor's Budget Proposal Strives to Bridge the Gap

- Legislature and Governor approved \$3.3 billion in reductions in March 2003
- A balanced approach with reduced expenditures, increased revenues, and selective one-time measures
- Structural reform
- Budget focus on need for reasonable reserves
- Department of Finance economic and revenue assumptions were more conservative than consensus, with actuals tracking estimates



Economic Assumptions

California Nonfarm Employment	2002	2003	2004
Governor's Budget, Nov. 2002	-0.7	0.7	2.1
LAO, Feb. 2003	-0.6	0.8	2.5
UCLA, Mar. 2003	-0.3	0.7	2.2
Western Blue Chip, Apr. 2003	-0.3	1.0	2.1
Actual	-0.8		

California Personal Income

Governor's Budget, Nov. 2002	0.9	3.3	5.3
LAO, Feb. 2003	1.0	3.6	6.5
UCLA, Mar. 2003	1.0	3.0	5.3
Western Blue Chip, Apr. 2003	1.9	3.8	5.4

California New Housing Units (thousands)

Governor's Budget, Nov. 2002	159	157	162
LAO, Feb. 2003	164	174	176
UCLA, Mar. 2003	165	179	177
Western Blue Chip, Apr. 2003	165	168	170
Actual	165		

Source: Department of Finance



Revenue Assumptions

2002-2003 Comparison of Actual and Forecast Agency General Fund Revenues (dollars in millions) Year-to-Date (through March)

Revenue Source	Forecast	Actual	Change	Percent Change
Personal Income	\$ 22,213	\$ 21,959	-\$254	-1.1%
Sales & Use	16,429	16,443	14	0.1%
Corporation	3,927	3,886	-41	-1.0%
Insurance	1,044	1,066	22	2.1%
Estate	651	767	116	17.8%
Pooled Money Interest	169	152	-17	-10.1%
Alcoholic Beverages	220	220	0	0.0%
Tobacco	89	90	1	1.1%
Other	3,284	3,240	-44	-1.3%
Total	\$ 48,026	\$ 47,823	-\$203	-0.4%

Source: Department of Finance



Actions to Date are First Part of Solution

- Actions taken by the Administration:
 - August 2002 – State departments submitted 20 percent reduction plans.
 - November 2002 - State departments directed to freeze current year spending, identify General Fund savings, and reduce expenditures.
 - December 2002 - Mid-year spending reduction plan submitted to the Legislature.
 - April 2003 - State departments directed to submit 10 percent personal services reductions and layoff plans.
- The Legislature passed and the Governor signed legislation authorizing reductions, deferrals, and funding transfers totaling \$3.3 billion in 2002-03



Cash Flow Update¹

Projected Cash and Unused Borrowable Resources ² (projected as of January 10, 2003)	\$1,575
Adjustments for lower current year reductions	(\$2,314)
Adjusted Projected Cash and Unused Borrowable Resources ²	(\$739)
Adjustments for potential Tobacco Bond delay	(\$2,027)
Adjusted Projected Cash and Unused Borrowable Resources ² (prior to tobacco bond proceeds)	(\$2,766)

¹ Dollars in millions

² Projected for June 30, 2003

- The State is closely monitoring the cash situation and plans to issue Revenue Anticipation Warrants (RAWs) in June 2003

A photograph of the California State Capitol building, featuring its iconic dome and classical architecture, set against a clear blue sky. The building is surrounded by greenery and is partially obscured by a dark blue vertical bar on the left side of the slide.

California Budget Process

- **January 10** Release of Governor's 2003-04 State Budget
- **March** Legislative Budget Subcommittee Hearings begin
- **April 1** Submittal of April 1 Finance Letters (except Capital Outlay and May Revision) to the Legislature
- **May 1** Submittal of Capital Outlay Finance Letters to the Legislature
- **May 14** Release of May Revision to the Governor's 2003-04 State Budget
- **June 15** Constitutional Deadline for Legislature to pass the Budget Bill
- **July 1** Start 2003-04 Fiscal Year



Revenue Anticipation Warrants (RAWs)

- Final size and maturities will be determined soon after May revision
- The RAWs will be offered by competitive sale
- All or a portion will be sold in June, with any remainder in July
- Expect RAWs to have multiple maturities
- The State is retaining the option of structuring a portion of the RAWs with a maximum maturity of two years



Credit Enhancements for RAWs

- The State is soliciting proposals from commercial and investment banks for credit enhancement on some or all of the RAWs
- The proposed credit enhancement structure is different from last year's Standby Warrant Bid Agreements
- To enhance the attractiveness to investors, certain elements of the credit enhancement structure have been strengthened to improve the RAWs ratings

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California Remains a Strong Credit

- Our gross state product of \$1.4 trillion makes California the 5th largest economy in the world
- Our population is projected to reach 59 million by 2040
- California still has moderate debt levels as compared to the other 10 largest states
- California has an unbroken track record of meeting its debt service obligations



Contact Information

For additional information contact:

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Website – www.treasurer.ca.gov

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